ARAJ

HIGHLIGHTS OF INTERIM BUDGET 2019-20

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Contents

Rates under Income Tax

Individuals other than Senior Citizen, AOP/BOI		
Total Income Range	Income-tax Rates	
	A Y 2020-21	A Y 2019-20
Upto INR 2,50,000	Nil	Nil
INR 2,50,000 to 5,00,000	5%*	5%
INR 5,00,000 to 10,00,000	20%	20%
Above INR 10,00,000	30%	30%

* For Individuals whose total Income after allowing deduction under Chapter VI does not exceed Rs. 5,00,000 a deduction of Rs. 12500 or income tax payable, whichever is lower shall be allowed.

Senior Citizen (who is 60 year or more and below 80 years)		
Total Income Range	Income-tax Rates	
	A Y 2020-21	A Y 2019-20
Upto INR 3,00,000	Nil	Nil
INR 3,00,000 to 5,00,000	5%*	5%
INR 5,00,000 to 10,00,000	20%	20%
Above INR 10,00,000	30%	30%

* For Individuals whose total Income after allowing deduction under Chapter VI does not exceed Rs. 5,00,000 a deduction of Rs. 12500 or income tax payable, whichever is lower shall be allowed.

Super Senior Citizen (who is 80 years or more)		
Total Income Range	Income-tax Rates	
	A Y 2020-21	A Y 2019-20
Upto INR 5,00,000	Nil	Nil
INR 5,00,000 to 10,00,000	20%	20%
Above INR 10,00,000	30%	30%

Business Entities		
Total Income Range	Income-tax Rates	
	A Y 2020-21	A Y 2019-20
Partnership firms/LLP	30%	30%
Domestic Company	25%*	25%*
Foreign Company	40%	40%

*** Companies having turnover of INR two fifty crores in the financial year 2017-18 are liable to pay tax @ 25% and other companies shall be liable to pay tax @ 30%.**

Co-operative Societies		
Total Income Range	Income-tax Rates	
	A Y 2020-21	A Y 2019-20
Upto INR 10,000	10%	10%
INR 10,000 to 20,000	20%	20%
Above INR 20,000	30%	30%

Tax Implication on Individuals

Standard Deduction

(Section 16, Applicable from AY 2020-21)

Presently there is a standard deduction of INR 40000 from the Gross Salary. It has been proposed to increase the standard deduction from INR 40000 to 50000.

Hence it is a welcome relief for the salary class as they shall avail additional benefit of INR 10,000 from salary.

Deemed Let out of self-occupied house

(Section 23, 24, Applicable from AY 2020-21)

Presently the person who has more than one self-occupied property shall pay tax on the notional rent considering the other self-occupied property as deemed let out, at their option.

This has caused genuine hardship for the large families who use to stay in two different houses. To provide relief for such families it has been proposed that one additional house of the tax payer which is self-occupied shall be treated as self-occupied house and no notional rent is to be charged on such house property.

Further the deduction under section 24 of the Act with respect to interest paid on loan obtained for self-occupied property shall be available for both the self-occupied property. But the previous threshold limit of INR 2,00,000 shall remain same, aggregately for both the self-occupied properties.

Exemption with respect to capital gain investment in more than one house.

(Section 54, Applicable from AY 2020-21)

Presently the assessee is entitle to exemption under section 54 of the Act with respect to any capital Gain arisen from the sale of Long-term residential house invested in one residential house. However, if the assessee have invested in two residential house the exemption was available only with respect to investment made in one residential house.

Currently it is observed that in large families the house is sold and multiple small houses are being purchased for the family members accommodation (shifting from a joint family to a nuclear family), in this case the assessee was not able to get the exemption for more than one house.

Therefore, it is proposed that exemption with respect to capital gain not exceeding INR 2 crores shall be eligible for investment in two residential houses. However, the assessee can avail this exemption once in a lifetime.

Threshold Limit with respect to TDS on interest increased from INR 10000 to 40000

(Section 194A, Applicable from AY 2020-21)

It is proposed to increase threshold limit for deduction of TDS in case of interest paid by bank and post office from INR 10000 to 40000.

With this proposal there shall be no deduction of TDS with respect to interest on FDR, post office saving etc. upto the amount of INR 40,000.

Threshold Limit with respect to TDS on Rent have been increased from INR 180000 to 240000

(Section 194I, Applicable from AY 2020-21)

It is proposed to increase the threshold limit for deduction of TDS on payment with respect to rent of the property used for the business purpose from INR 180000 to 240000.

With the consequent proposal the tax payer shall not be liable to deduct TDS in respect of monthly rent upto INR 20000.

Tax implications on Business Entities

Deemed Let out of property held in stock in trade.

(Section 23, Applicable from AY 2020-21)

Presently there is a holiday period of one year from the end of the year in which the completion certificate of the property has been obtained which is held as stock. Due to this the developer had to pay tax on the notional rent of such property after the completion of one year.

It has been proposed to extend the holiday period from one year to two years. This shall benefit the developers to hold their inventory for one more year without paying tax on notional rent of such stock in trade.

Deduction in respect of profits and gains from housing projects.

(Section 80IBA, Applicable from AY 2020-21)

Presently there is hundred percent deduction of profit derived from the business of developing and building housing projects which were approved by the competitive authority after 1st June 2016 but on or before 31st March 2019.

It has been proposed to extend the time limit for the above deduction upto 31st March 2020.

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